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MONTHLY PROJECTIONS
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DROUGHT, STRONG DOLLAR, AND FALLING OIL PRICES ARE MOSTLY OFFSETTING

Much of the current commentary has been focused on the impact that the drought may have upon the U.S. economy. Obviously, agricultural production will be significantly impacted unless timely rains arrive soon. Corn yields already appear to have fallen to 90 bushels per acre as compared to nearly 120 a year ago. Half the spring wheat crop has been lost and nearly a similar amount of the oat and barley crops. These grains are in short supply. However, the winter wheat crop was only marginally impacted by the dryness, which arrived late in its development. At this writing, the soybean crop still can be saved. However, the unusually dry conditions have reduced the total acreage sown to soybeans, and germination problems already have reduced the yield to less than 30 bushels per acre as compared to 33 bushels a year ago. Hot and dry weather in the next thirty days, which is during the critical pollination period, could dramatically reduce yields, particularly for corn.

Although carryover of grains from previous years is high, with corn averaging nearly 4 billion bushels and nearly a year's worth of wheat already in the bins, the sharp reductions in yields create prospects for zero carryover of coarse grains into next year. In addition, if the worst conditions develop for soybeans, current commitments may exceed available supply. Indeed, in the extreme, an embargo of soybean products could develop. Because of these potentialities, prices of grains have risen dramatically. Short-run price elasticities range from .12 for corn to .25 for wheat. Thus, significant reductions in production lead to dramatic increases in price. This price increase, in turn, has reduced the attractiveness of raising livestock. Thus, dairy cows and meat cows have been slaughtered at unusually high rates in recent weeks. The initial impact has been to drive down the price of meats. If feed costs remain high into the fall, as now appears likely, stress slaughtering could prevail until that time. Of course, this is the mechanism through which demand for coarse grains is reduced. With fewer animals, less feed stock will be required next

year. However, per capita consumption of meat normally would not decline, unless a recession developed. Therefore, the imbalance between demand and supply next year will require significant increases in meat prices. We are currently estimating a potential 4% drop in per capita meat supplies, although rapidly rising poultry production next year could mitigate some of that plunge. This would lead to meat price increases in excess of 15% at the producers' level and would pressure grocery store prices upward by more than 8%.

In addition to the reduction in domestic consumption of feed grains, foreign sales of American grains also will fall. Some analysts have maintained that this would actually worsen trade deficits. However, price increases for the grains that will be shipped abroad will far exceed the reduction in volumes shipped. Indeed, we would currently anticipate that agricultural exports, which were only $29 billion in 1987, could rise to more than $37 billion in 1988.

Obviously, a reduction in agricultural productivity will tend to raise general prices. However, the price impact from such a supply shock would be limited in 1988, when stress selling of meat exists, and will only add approximately 0.5 percentage points to what otherwise would be inflationary pressures in 1989. (Of course, the Federal Reserve could completely ignore the pressures generated by such a supply shock. By failing to accommodate for the higher grain prices, some price increases for other products would need to be squeezed from the system. This would be accomplished by initially causing short-term interest rates to rise, creating a sluggishness in economic activity to be followed by unwanted inventories and price declines for some commodities. The Federal Reserve probably will tolerate some of the grain price increase rather than accept a temporary surge in short-term interest rate pressures.)

However, offsetting some of the increasing price pressures from agriculture will be reduced price pressures from energy materials. The OPEC nations apparently are unable to restrain oil production to levels consistent with their price targets. Therefore, prices are trending downward. When the heating season arrives in late summer, prices will begin firming. However, the quantity of oil currently available suggests that OPEC will have difficulty preserving their $18 target even in the early months of 1989. This reduction in inflationary pressures for energy materials will be as significant in restraining inflation as the drought has been in adding to it.

A third, unanticipated, economic event is the current dollar's rebound. Apparently, interest rate differentials had widened between the United States and other industrialized countries to more than 4 percentage points. As the dollar remained firm through the first half of this year, such an interest rate differential increased the attractiveness of dollar-based assets. This increased capital flow has led to some narrowing of interest rate differentials. It also has led to a substantial strengthening in the dollar's value. Ultimately, the dollar will reach a point where most investors agree that further improvement is not likely. At that point, investors will again consider the speed by which trade deficits are being reduced. It is our judgement that the trade deficits have shrunk more rapidly than anticipated early this year as a result of the working off of previously accumulated inventories of imported goods. When these inventories are depleted, strong economic growth in the United States once again will pull imports in. This should lead to no further improvement in the trade balances despite the improving terms of trade for agricultural commodities. Therefore, the dollar should once again weaken in value.

Nevertheless, this strengthening of the dollar probably will persist in creating higher dollar values than originally had been anticipated. Obviously, this has some favorable effects upon the inflationary environment. However, it also reduces the speed by which further improvements will develop in the merchandise trade balances. Indeed, no further significant improvements in trade conditions are anticipated until economic activity slows in the United States early next year.

In the meantime, strong capital flows have led to lower interest rates in the United States than otherwise would have developed. They also have accelerated the timing of the anticipated summer rally. However, our estimates suggest that equity values already have reached justifiable levels for anticipated interest rates and profitability. Moreover, as economic activity should slow its rate of growth perceptibly in 1989, some weakness in equity values probably soon will materialize.

Quarterly Profile of GNP

	1988-1	1988-2	1988-3	1988-4	1989-1	1989-2	1988 Annual	1989 Annual
Real:	3.6	4.1	2.8	2.4	0.9	1.4	3.8	1.8
Price:	1.4	4.1	4.4	4.0	5.7	5.2	3.1	4.9
Nominal:	5.1	8.1	7.3	6.5	6.6	6.6	7.0	6.8

Monthly Statistical Highlights for June 1988

Payroll employment +232,000; index of hours worked +0.2%; household employment +631,000; civilian unemployment rate 5.5%; personal income +0.5%; savings rate 4.4%; personal consumption +0.6%; retail sales +0.5%; auto sales 10.1 million units; housing starts +5.8%; housing permits -2.2%; construction expenditures -1.0%; business inventories +0.5%; orders for durable goods +1.6%; orders for nondefense capital goods +2.0%; industrial production +0.3%; CPI +0.4%; PPI +0.5%; consumption deflator +0.6%; leading indicators +0.2%; currency index +3.6%; equity index +3.9%; real GNP (AR) +2.8%; M1 (AR) 5.9%; M2 (AR) +5.2%.

Monthly Statistical Highlights for July 1988

Payroll employment +262,000; index of hours worked +0.2%; household employment +289,000; civilian unemployment rate 5.4%; personal income +0.6%; savings rate 4.4%; personal consumption +0.5%; retail sales +0.4%; auto sales 10.2 million units; housing starts +1.3%; housing permits +0.1%; construction expenditures +0.1%; business inventories +0.5%; orders for durable goods +1.1%; orders for nondefense capital goods +3.6%; industrial production +0.3%; CPI +0.3%; PPI +0.2%; consumption deflator +0.3%; leading indicators +0.2%; currency index -0.9%; equity index +0.6%; real GNP (AR) +3.7%; M1 (AR) +6.9%; M2 (AR) +6.5%.

Commentary

Employment - Initial unemployment claims once again have trended down slightly. In addition, the insured unemployment rate reached a low of 2% in late May. This suggests that economic activity probably is rebounding from its relatively sluggish level in May.

The May report showed a decline in hours worked, but this probably is merely offsetting distortions in April's workweek as a result of the shifting Easter holiday. Moreover, initial claims suggest that payroll gains are continuing well above 200,000 in this month. A surprising reduction in household employment may be the result of sampling problems. If so, an unusually large increase in both employment and labor force should be apparent in June. The June employment survey is unusually late in the month. This could lead to a resurgence of employment and work force for teenagers and young adults. As their unemployment rates are higher than the average, the unemployment rate could move upward. Nevertheless, the employment report is expected to show significant strength.

The one area of increasing concern is the acceleration of the hourly earnings index. The index is now 3.6% above previous year levels, the highest year-over-year performance in nearly four years. In the past two months, the index has increased at an annual rate of more than 6%. Some of this acceleration could be the result of statistical problems relating to the shifting Easter seasonals. Nevertheless, the evidence seems to suggest that the unemployment rate has now reached a point where wage inflation is beginning to intensify.

Personal Income and Outlays - Despite stronger gains in wages and salaries than anticipated, the May increase in personal income was less than expected. The primary retardant was reductions in farm subsidies. Given the current surge in farm prices, subsidies will fall even further in the next few months. As anticipated, the sharp increase in tax liabilities during April was the result of the disproportionate benefits provided from the tax reform package. Tax liabilities returned to their March levels in May. Next year, such a distortion in tax liabilities should not be apparent. However, the reduction in marginal tax rates will influence tax liabilities beginning in January of next year. This will lead to higher savings rates at that time than originally anticipated.

Expenditures on services grew less than anticipated in May as a result of cooler weather and the reduced demand for utilities. The hot weather in June and early July almost certainly will lead to a significant rebound in service expenditures. Also, the acceleration in some food prices will be more dramatic than the deceleration in energy prices in June. By July, however, falling energy prices will be more noteworthy. This should be apparent in the expenditures on nondurables in those months. Automobile sales are no longer benefiting from significant sales incentives, but activity remains reasonably robust. In addition, the data suggests that sales are being transferred from imported to domestic vehicles.

Construction - The plunge in single-family starts during May defies easy explanation. Housing permits did not show the same degree of weakness. Perhaps some financing problems temporarily restrained builder activity. Sales of single-family units only declined 0.3%. The 6.9 months of inventory available in May is slightly excessive but certainly not alarming. Therefore, some rebound should be anticipated in starts during June. At the same time, single-

family permits probably will weaken as a result of concerns over rising mortgage rates. Mortgage rates have once again stabilized, however, suggesting that relatively stable housing starts should be anticipated through the remainder of this year. This sluggishness in housing starts will be apparent in residential construction expenditures. After a slight rebound in May, construction expenditures are expected to trend downward until early next year. Nonresidential construction also is expected to remain relatively unchanged over the next year while only slight gains are anticipated for public construction. This should lead to slight weakness in overall construction expenditures through the summer months, followed by modest gains early next year.

Business Activity - Although orders for durable goods fell in May, all the weakness was caused by a decline in volatile aircraft orders. Indeed, announcements of new orders suggest a surge in the aircraft category over the next two months. Excluding aircraft, orders were actually up 1% despite weakness in defense activity. Defense shipments have remained surprisingly low, suggesting that little real growth is currently developing in the defense expenditures category. However, some rebound in defense shipments is anticipated toward the end of this year. Our current estimates of nondefense capital shipments is slightly less than would be consistent with the capital expenditures surveys, which indicated an 11.7% increase in shipments adjusted for inflation. If the survey proves to be correct, then orders probably will be stronger than currently projected.

Industrial production was surprisingly strong in May as hours worked in manufacturing showed no gain. However, some reporting biases associated with the Easter holiday in April may have created confusion. Automobile production is now at 7.5 million and probably will increase slightly further. Strong gains in utility production also will heat the expansion of industrial production over the next month or so.

Manufacturers also are beginning to add to their inventories. The 0.6% increase in manufacturers' inventories during May is the largest gain in several years. This suggests that inventory investments during the second quarter will be very close to inventory accumulation in the first three months. Indeed, nonfarm inventories could have accelerated slightly. At this time, industrial material prices and delivery delays do not suggest that substantial amounts of speculative inventories are being accumulated. The strong orders are likely leading to a significant swelling of goods in process.

Prices - Although stress selling of animals began to press down livestock prices in June, meat prices did not fall at the supermarket. They will weaken in the weeks ahead, however. Also, energy prices had not yet shown the magnitude of weakness that currently is developing. Therefore, significant increases are still anticipated for the CPI and PPI in June. Following that time, however, several months of relatively modest inflationary pressures should materialize. Stronger automobile demand than anticipated in the absence of incentives probably will lead to higher effective prices for consumer durables than originally projected. Higher meat prices in 1989 will also be readily apparent in accelerating prices for consumer nondurables. Nevertheless, the energy component will act as a significant restraint upon price pressures from the drought. If wages continue to intensify, the moderate 0.3% monthly price gains for consumer services will gradually intensify as well. This is anticipated in our projections.

Miscellaneous - Trade balances have improved much more sharply than anticipated in our previous forecast. The major cause for this improvement has been a significant decline in import activity. However, export growth also has been unusually vigorous. The weakness in import activity appears to stem from previous accumulations of imported goods inventories. Now that the dollar no longer is declining, and is actually even rising slightly, these price hedged inventories are being worked down. This could lead to moderate trade balances for another month, but increased capital expenditures require an increase in imported capital goods. In 1989, a slowing in domestic demand once again is expected to generate some improvement in the trade balances. However, the current strength in the dollar will slow the speed by which exports will penetrate foreign markets.

Although the leading indicators fell slightly in May, most of the weakness was the result of rising initial claims and a weaker stock market. The stock market has rebounded in June while initial claims are trending better. Indeed, the leading indicators may show a larger rebound in June than currently contemplated.

Weakness in industrial commodity prices began to surface in the latter part of June. Coupled with the ongoing declines in prices for oil product, this will significantly reduce the IVA component over the next few months. Reduced IVA factors will help raise adjusted profits, as the tax liability will not rise as rapidly as operating profits. However, accelerating wage pressures followed by higher interest rates late in the year will prevent any significant further improvement in adjusted profitibility. As a result, the stock market will not be able to sustain further price improvements. This will be especially apparent after the dollar begins falling in value and the price of long-term bonds begin deteriorating. Both of these events are anticipated some time in July.

Financial Markets

Our analysis suggests that corporate outlays and corporate cash flow both are increasing at relatively comparable rates at the present time. The household sector showed a rebound in savings following the tax payments in April but are not expected to significantly alter their net savings behavior during the summer. However, improvement in household savings in 1989 may be a factor leading to falling interest rates at that time.

Government borrowings are expected to remain relatively flat as stronger nominal revenue gains will provide higher receipts even as rising interest rates will increase outlays. The budget deficit is expected to remain near $150 billion over the next half dozen quarters.

Thus, as usually has been the case in recent months, the direction of interest rates will largely depend upon the portfolio decisions of foreign investors. When foreign investors are seeking American financial assets, as they were in June, interest rates can fall even as the level of economic activity quickens. If the dollar once again begins falling, especially late this year and early next year, foreigners will avoid our financial assests dramatically. Indeed, long-term interest rates probably have reached a low for the current rally and are expected to rise through the summer months and into the fall. The Federal Reserve is not expected to significantly restrain money growth until after the elections. At that time, short-term interest rates will

be moving higher. However, as modestly rising inflationary pressures would have suggested higher interest rates a bit earlier, long-term interest rates will increase even more rapidly. This should result in a temporary steepening of the yield curve. Over the longer-term, however, the yield curve once again is expected to flatten.

Equity Markets - Rising interest rates and falling profitability do not lead to strong stock markets. Currently, foreign investors are again seeking financial assets in the United States under the assumption that the dollar has fundamentally shifted direction. However, this shift in dollar direction probably will run only a few months. If so, attractiveness of equity values by foreign investors will quickly erode. Thus, the stock market rally in blue chip stocks is expected to diminish. Some problems with the availability of semi-conductor chips also is reeking havoc with the technology stocks. Smaller companies, especially those on the over-the-counter market, are expected to experience significant difficulty in maintaining earnings. This will also be a deterrent factor to the equity markets. Probably, the export-oriented companies should no longer be accumulated, at least until the dollar's current strength has run its course. Interest-sensitive securities should be avoided until late this year, when an anticipated additional percentage point is added to long-term interest rates.

Because the summer arrived early on the plains, it appears that the summer also has arrived early in the equity markets. However, the summer rally may be over soon after the official summer begins.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	103827	104262	122.4	123.0	114129	114129	5.8	5.8	176.4	176.6
February	104365	104729	123.7	123.9	114409	114409	5.7	5.7	176.5	176.7
March	104661	105020	123.1	123.6	114103	114103	5.6	5.6	176.8	177.0
April	104835	105269	123.7	125.0	114713	114713	5.4	5.4	177.6	177.8
May	105151	105478	124.0	124.5	114635	114195	5.4	5.6	177.5	178.8
June	105467	105710*	124.3	124.8*	114812	114826*	5.4	5.5*	177.8	179.3*
July	105623	105972	124.6	125.1	115093	115115	5.4	5.4	178.4	179.9
August	105807	106168	125.0	125.3	115405	115352	5.2	5.4	179.1	180.4
September	105991	106396	125.4	125.6	115717	115638	5.2	5.3	179.8	181.0
October	106117	106610	125.4	125.8	115843	115792	5.2	5.3	180.2	181.8
November	106266	106798	125.2	126.0	115926	116041	5.1	5.2	180.6	182.5
December	106415	106910	125.3	126.1	115988	116129	5.2	5.3	180.9	183.3
January 1989	106563	106955	125.6	126.1	116124	116239	5.1	5.4	181.5	183.9
February	106528	107085	125.5	126.2	116325	116428	5.1	5.4	182.2	184.4
March	106757	107246	125.5	126.4	116528	116637	5.1	5.4	182.9	185.0
April	106928	107358	125.7	126.5	116645	116780	5.2	5.4	183.5	185.6
May	107038	107489	125.9	126.6	116767	116976	5.2	5.4	184.0	186.3
June	107149	107562	126.0	126.6	116890	117044	5.3	5.5	184.5	187.0

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	3.873	3.872	2.293	2.293	153.7	155.9	3.297	3.297	3.143	3.141
February	3.895	3.896	2.307	2.309	154.5	151.1	3.323	3.324	3.168	3.173
March	3.924	3.937	2.319	2.325	157.1	166.3	3.341	3.355	3.190	3.188
April	3.940	3.941	2.334	2.337	139.6	119.6	3.346	3.322	3.206	3.202
May	3.958	3.954	2.342	2.349	133.5	151.9	3.352	3.370	3.219	3.219
June	3.976	3.975*	2.350	2.363*	127.3	148.0*	3.359	3.386*	3.232	3.238*
July	3.993	3.999	2.364	2.378	125.4	150.3	3.379	3.405	3.254	3.255
August	4.009	4.020	2.379	2.390	123.1	146.1	3.398	3.421	3.275	3.275
September	4.025	4.043	2.395	2.405	122.9	142.2	3.418	3.439	3.295	3.297
October	4.043	4.066	2.403	2.422	125.3	157.2	3.429	3.457	3.304	3.300
November	4.061	4.088	2.406	2.436	128.3	154.3	3.442	3.474	3.314	3.320
December	4.079	4.112	2.410	2.451	131.4	150.8	3.455	3.493	3.324	3.342
January 1989	4.098	4.129	2.425	2.460	146.7	168.2	3.497	3.528	3.350	3.360
February	4.120	4.149	2.440	2.471	147.6	177.4	3.514	3.550	3.366	3.373
March	4.142	4.171	2.454	2.484	148.4	177.6	3.529	3.570	3.381	3.392
April	4.159	4.191	2.464	2.496	140.6	177.4	3.541	3.586	3.400	3.409
May	4.175	4.211	2.475	2.508	134.7	175.3	3.553	3.601	3.418	3.426
June	4.192	4.231	2.485	2.519	129.4	175.5	3.564	3.616	3.435	3.441

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	3045.3	3042.9	419.7	418.4	992.0	991.8	1633.6	1632.6	2513.5	2511.0
February	3069.5	3074.1	428.9	428.9	990.0	995.2	1650.6	1650.0	2532.9	2536.7
March	3091.3	3089.3	428.6	424.4	999.8	1008.6	1662.8	1656.3	2538.1	2537.4
April	3104.7	3102.8	425.4	432.3	1006.4	1003.5	1672.9	1667.1	2536.5	2532.6
May	3118.6	3118.6	426.3	430.8	1008.6	1011.1	1683.7	1676.7	2533.4	2533.4*
June	3132.5	3137.7*	427.2	431.3*	1010.9	1018.8*	1694.4	1687.6*	2530.3	2535.1
July	3152.0	3154.0	430.6	433.0	1016.6	1022.6	1704.8	1698.4	2539.9	2539.5
August	3177.2	3173.8	439.4	438.9	1022.3	1026.6	1715.5	1708.3	2558.1	2547.1
September	3192.1	3195.3	440.4	444.8	1025.6	1031.9	1726.1	1718.6	2566.0	2556.6
October	3190.9	3197.8	423.6	433.0	1030.5	1036.9	1736.8	1727.9	2552.7	2549.0
November	3211.6	3217.2	427.3	436.7	1036.6	1042.1	1747.7	1738.4	2552.9	2555.2
December	3231.8	3239.2	431.0	442.5	1042.3	1047.2	1758.5	1749.5	2554.8	2561.7
January 1989	3247.4	3256.3	431.9	439.7	1045.6	1056.3	1769.9	1760.3	2559.0	2563.2
February	3263.0	3268.6	432.7	436.4	1049.3	1061.4	1781.0	1770.8	2565.3	2561.0
March	3277.2	3287.8	432.0	439.5	1053.0	1067.1	1792.2	1781.2	2570.4	2565.0
April	3295.3	3303.5	433.0	439.7	1058.5	1071.4	1803.8	1792.4	2572.4	2565.3
May	3313.1	3320.1	434.1	441.3	1063.1	1075.0	1815.9	1803.8	2572.3	2567.6
June	3329.4	3334.4	433.7	440.7	1067.7	1078.2	1828.0	1815.5	2571.0	2568.5

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	128.77	128.77	19.75	19.75	10.4	10.4	80.08	80.08	28.94	28.94
February	130.12	130.12	20.19	20.19	11.0	11.0	80.41	80.41	29.52	29.52
March	132.40	132.26	20.54	20.59	10.7	10.7	81.83	81.78	30.04	29.90
April	131.58	131.76	20.53	20.73	10.5	10.5	81.33	81.38	29.72	29.66
May	132.01	131.88	20.79	20.77	10.0	10.2	81.96	81.82	29.26	29.30
June	132.59	132.49*	21.01	20.85*	10.1	10.1*	82.24	82.29*	29.34	29.35*
July	133.64	133.00	21.23	20.82	10.2	10.2	82.89	82.60	29.52	29.58
August	134.91	134.01	21.20	20.73	10.5	10.5	83.35	82.92	30.36	30.36
September	135.53	135.12	20.75	20.78	10.8	10.7	83.62	83.35	31.16	30.99
October	134.04	134.15	20.64	20.84	9.9	10.0	84.02	83.75	29.38	29.56
November	134.88	135.00	20.80	20.93	10.0	10.1	84.52	84.17	29.56	29.90
December	135.78	136.08	21.07	20.96	10.0	10.3	84.98	84.58	29.73	30.54
January 1989	136.16	136.50	20.95	20.85	10.1	10.2	85.25	85.32	29.96	30.33
February	136.56	136.52	20.81	20.93	10.2	10.0	85.56	85.73	30.19	29.86
March	136.78	137.35	20.62	21.01	10.2	10.1	85.86	86.19	30.30	30.15
April	137.05	137.72	20.76	21.05	10.0	10.0	86.31	86.54	29.98	30.13
May	137.64	138.19	20.84	21.03	10.0	10.0	86.68	86.83	30.12	30.33
June	137.38	138.39	20.89	21.14	9.6	9.9	87.06	87.09	29.43	30.16

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	1.382	1.382	1.016	1.016	1.257	1.248	394.5	394.5	345.2	345.2
February	1.519	1.519	1.102	1.102	1.422	1.429	396.0	396.0	345.2	345.2
March	1.554	1.529	1.176	1.172	1.476	1.476	401.8	401.2	349.5	349.0
April	1.561	1.576	1.095	1.088	1.416	1.449	402.7	401.8	349.0	350.8
May	1.568	1.384	1.128	0.988	1.426	1.427	404.1	401.5*	349.3	350.0*
June	1.553	1.464*	1.139	1.043*	1.407	1.396*	406.3	397.4	349.9	345.6
July	1.521	1.483	1.108	1.068	1.386	1.398	408.5	397.7	350.9	344.6
August	1.496	1.459	1.102	1.054	1.372	1.354	410.5	395.5	351.8	342.1
September	1.492	1.446	1.095	1.035	1.389	1.348	412.3	397.9	352.1	343.0
October	1.496	1.448	1.086	1.026	1.406	1.359	411.1	398.3	350.2	342.8
November	1.503	1.464	1.083	1.035	1.389	1.372	409.9	398.5	348.3	342.1
December	1.502	1.455	1.079	1.021	1.401	1.370	408.9	400.3	346.2	342.7
January 1989	1.478	1.411	1.067	0.989	1.375	1.354	410.1	401.7	346.1	343.0
February	1.465	1.412	1.053	0.983	1.364	1.346	411.2	402.2	345.8	342.9
March	1.452	1.444	1.050	1.005	1.348	1.369	412.2	401.4	345.5	341.3
April	1.448	1.475	1.036	1.026	1.326	1.394	411.8	402.0	344.0	340.7
May	1.446	1.500	1.029	1.029	1.329	1.422	411.8	405.9	342.6	343.1
June	1.442	1.509	1.021	1.053	1.322	1.429	412.1	410.4	341.4	345.7

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	127.2	127.2	75.3	75.3	192.0	192.0
February	128.0	128.0	78.1	77.9	189.9	190.1
March	128.1	125.1	82.3	81.8	191.4	194.2
April	128.3	130.6	80.6	79.3	193.8	191.9
May	128.6	129.2*	80.0	79.7*	195.5	192.6*
June	128.8	129.0	80.3	80.0	197.2	188.4
July	128.5	129.5	80.5	80.3	199.5	187.9
August	128.9	129.4	80.9	80.9	200.7	185.2
September	129.2	129.3	81.3	80.5	201.8	188.1
October	129.0	129.5	81.6	81.2	200.5	187.6
November	128.8	129.8	81.9	81.6	199.2	187.1
December	128.9	130.4	82.1	82.1	197.9	187.8
January 1989	129.0	130.9	82.5	82.6	198.6	188.2
February	129.1	131.3	82.9	83.0	199.2	187.9
March	129.2	130.7	83.3	83.5	199.7	187.2
April	129.4	130.9	83.5	83.3	198.9	187.8
May	129.7	131.4	83.8	83.9	198.3	190.6
June	130.0	131.9	84.1	84.4	198.0	194.1

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	336.8	336.8	114.20	114.20	34.79	34.79	30.65	30.65
February	338.4	338.6	114.26	114.32	33.75	33.76	30.71	30.72
March	339.4	339.5	115.31	115.25	32.46	32.48	31.69	31.71
April	340.9	340.9	116.28	117.27	32.90	33.49	30.90	31.07
May	342.8	343.1*	117.43	115.06	33.55	31.52	31.26	31.87
June	345.0	344.8	114.39	116.93*	32.16	32.14*	31.75	31.66*
July	345.9	346.2	114.62	118.24	32.49	33.29	32.39	31.89
August	346.8	347.4	116.21	117.22	33.31	32.46	32.71	32.06
September	347.7	348.7	115.05	117.46	32.75	33.21	33.04	32.47
October	349.8	350.0	114.85	117.25	32.93	33.46	32.83	32.83
November	351.9	351.8	114.37	116.38	32.86	33.40	32.95	32.80
December	354.0	353.5	116.27	115.46	33.14	32.82	32.90	32.75
January 1989	355.8	354.9	116.63	115.92	33.20	32.73	33.14	32.84
February	357.4	357.0	115.08	115.73	32.86	32.81	33.22	33.01
March	359.0	358.6	114.82	116.08	32.53	32.93	32.85	33.15
April	360.8	360.5	115.06	115.46	33.16	32.85	33.14	33.12
May	362.9	362.2	114.43	115.84	31.84	32.73	32.27	33.01
June	365.0	363.7	115.95	115.43	32.14	32.55	32.06	32.97

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	715.0	715.0	8.43	8.43	134.4	134.4	82.5	82.5
February	717.9	717.9	8.50	8.50	134.4	134.4	82.4	82.4
March	720.0	720.1	9.52	9.50	134.7	134.7	82.4	82.4
April	723.5	723.7	8.58	8.47	135.6	135.5	82.7	82.7
May	726.4	726.6*	8.50	8.33	135.9	136.0	82.8	82.9
June	729.4	730.3	8.58	8.38*	136.2	136.4*	82.8	83.0*
July	732.3	733.6	8.46	8.53	136.5	136.8	82.9	83.1
August	734.5	736.4	8.54	8.56	136.8	137.1	82.9	83.1
September	736.7	739.5	8.63	8.65	137.1	137.5	83.0	83.2
October	740.8	742.4	8.60	8.57	137.2	137.7	82.9	83.2
November	745.8	746.2	8.77	8.69	137.0	138.0	82.7	83.2
December	750.6	749.5	8.95	8.75	137.0	138.1	82.6	83.0
January 1989	753.4	752.5	9.00	8.83	136.9	137.9	82.4	82.8
February	756.4	757.3	9.01	8.85	137.0	138.1	82.3	82.8
March	759.3	760.7	9.00	8.81	137.0	138.4	82.2	82.9
April	762.9	764.7	9.13	8.88	135.5	138.6	81.2	82.9
May	766.3	768.3	9.25	8.94	135.0	138.5	80.8	82.7
June	769.7	771.5	9.38	9.11	134.5	138.3	80.3	82.4

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	115.9	115.9	106.1	106.1	104.3	104.4	119.1	119.1
February	116.1	116.1	105.9	105.9	104.4	104.4	119.4	119.2
March	116.7	116.7	106.5	106.5	104.7	104.7	119.6	119.0
April	117.2	117.2	107.0	107.0	105.6	105.6	120.1	119.6
May	117.8	117.5	107.5	107.4	105.9	106.1	120.7	120.1
June	118.3	118.0*	107.9	107.9*	105.9	106.3*	121.2	120.6
July	118.7	118.4	108.2	108.1	106.8	106.4	121.5	121.0
August	119.1	118.8	108.4	108.3	107.5	106.8	121.8	121.4
September	119.5	119.1	108.6	108.5	106.4	105.6	122.1	121.8
October	120.0	119.6	108.9	108.9	107.8	107.5	122.5	122.2
November	120.5	120.1	109.3	109.3	108.0	107.8	122.8	122.6
December	121.0	120.6	109.8	109.7	108.1	108.3	123.2	123.0
January 1989	121.4	121.2	110.2	110.2	108.6	109.0	123.7	123.7
February	121.8	121.8	110.5	110.7	109.1	109.6	124.1	124.5
March	122.2	122.4	110.8	111.3	109.5	110.0	124.5	124.8
April	122.8	123.0	111.4	111.8	110.1	110.4	125.0	125.4
May	123.4	123.5	112.0	112.3	110.8	110.8	125.5	125.9
June	124.0	124.0	112.5	112.9	111.5	111.5	125.9	126.4

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	121.1	121.2	107.4	107.5	113.4	113.6	130.7	130.7	114.3	114.3
February	121.2	121.2	107.4	107.4	113.3	113.2	131.1	131.1	114.7	114.7
March	121.8	121.8	107.5	107.4	114.2	114.2	131.6	131.5	115.0	115.0
April	122.4	122.5	107.9	107.6	115.2	115.5	132.2	132.1	115.4	114.5
May	123.1	123.1*	108.1	107.8*	115.7	116.3*	132.8	132.6*	115.7	114.7*
June	123.8	123.8	108.3	108.2	116.1	117.3	133.4	133.1	116.1	115.0
July	124.1	124.2	108.8	108.4	116.3	117.7	133.9	133.6	116.4	115.4
August	124.2	124.6	109.2	108.6	116.5	118.0	134.4	134.2	116.7	115.6
September	124.4	125.0	109.0	108.9	116.6	118.3	135.0	134.7	117.1	116.0
October	125.0	125.5	109.3	109.1	117.3	118.5	135.5	135.3	117.4	116.2
November	125.8	125.9	109.2	109.3	118.1	118.9	136.0	135.9	117.7	116.5
December	126.5	126.4	109.4	109.6	118.8	119.5	136.6	136.5	118.1	116.8
January 1989	126.9	127.0	109.6	109.8	119.2	120.2	137.2	137.1	118.5	117.1
February	127.2	127.6	109.9	110.1	119.5	120.8	137.7	137.7	118.9	117.3
March	127.5	128.2	110.2	110.4	119.9	121.4	138.3	138.3	119.3	117.6
April	128.1	128.8	110.4	110.6	120.6	122.0	138.9	139.0	119.7	118.0
May	128.8	129.3	110.6	110.9	121.0	122.5	139.5	139.6	120.1	118.3
June	129.5	129.8	110.9	111.2	121.4	122.9	140.1	140.2	120.5	118.7

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	-12.44	-12.44	188.9	188.7	4638	4638	3894	3892	-17.8	-17.8
February	-13.82	-13.82	191.8	191.5	4660	4663	3903	3912	-16.5	-17.4
March	-13.14	-9.75	193.3	191.8	4685	4694	3917	3943	-16.4	-16.9
April	-13.06	-9.89	194.5	192.8	4710	4723	3922	3949	-19.6	-18.3
May	-12.77	-8.95*	194.2	192.6	4740	4747	3927	3953	-22.3	-19.6
June	-12.49	-10.23	194.5	193.0	4769	4778	3935	3962	-22.6	-17.2
July	-14.23	-10.76	194.8	193.4	4793	4808	3945	3974	-23.4	-15.3
August	-14.02	-10.24	194.5	193.1	4814	4832	3952	3980	-22.8	-12.7
September	-12.82	-9.83	194.1	193.0	4835	4864	3960	3993	-22.1	-13.3
October	-13.34	-10.15	194.6	193.3	4852	4886	3961	3998	-21.4	-15.2
November	-12.95	-10.46	195.3	193.5	4870	4912	3966	4006	-20.1	-16.8
December	-12.56	-11.23	195.6	193.2	4887	4939	3967	4015	-18.8	-18.4
January 1989	-12.65	-10.82	195.4	192.8	4909	4964	3968	4013	-18.5	-18.3
February	-12.32	-9.26	195.3	192.5	4936	4997	3977	4014	-19.0	-16.9
March	-11.97	-8.85	195.7	192.6	4963	5016	3986	4019	-18.4	-12.4
April	-12.17	-8.93	195.0	192.4	4982	5049	3986	4026	-23.9	-14.4
May	-11.98	-8.54	194.6	192.0	5000	5073	3984	4029	-29.6	-13.6
June	-11.79	-8.68	194.2	192.2	5018	5096	3986	4032	-28.7	-12.5

	Trade Index		Adjusted Profits		30-Year Government Bonds		New York Composite	
	Fore.	C.E.	Fore.	C.E.	Fore	C.E.	Fore.	C.E.
January 1988	89.18	89.18	168.3	170.4	8.83	8.83	140.55	140.55
February	91.09	91.09	171.5	174.2	8.43	8.43	145.13	145.13
March	89.73	89.73	172.6	176.2	8.63	8.63	149.88	149.88
April	88.95	88.95	169.3	181.4	8.95	8.95	148.46	148.46
May	89.43	89.74	168.0	180.9	9.23	9.23	147.79	144.84
June	91.02	93.01*	168.8	182.5*	9.16	8.96*	149.76	150.55*
July	90.14	92.16	168.3	183.6	9.37	8.98	152.45	151.12
August	89.51	92.11	168.0	182.5	9.49	9.03	155.93	151.19
September	88.25	90.34	168.3	180.3	9.43	9.22	154.40	146.29
October	87.43	89.46	167.8	176.4	9.65	9.47	148.26	139.35
November	86.84	89.21	167.5	176.8	9.86	9.76	147.51	135.51
December	86.13	86.33	167.2	175.6	10.04	9.85	146.78	133.36
January 1989	86.42	87.12	169.4	175.2	10.02	9.78	144.23	134.01
February	85.36	87.86	169.8	174.3	9.82	9.74	146.85	133.87
March	84.28	88.29	167.8	174.5	9.76	9.53	142.78	136.98
April	84.39	88.93	163.4	166.8	9.54	9.36	136.43	133.31
May	85.53	87.26	159.7	165.2	9.47	9.15	139.75	135.06
June	84.48	87.43	156.0	164.9	9.45	9.02	140.58	136.76

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	271.3	271.3	758.9	758.9	2924.9	2925.0	6.83	6.83	6.25	6.25
February	272.0	272.1	759.6	759.6	2946.1	2946.0	6.58	6.58	5.96	5.96
March	272.5	272.8	763.1	763.1	2967.7	2967.5	6.58	6.58	5.91	5.91
April	275.2	275.8	770.2	770.2	2992.3	2991.9	6.87	6.87	6.21	6.21
May	278.0	276.7	771.3	770.1	3012.6	3003.7	6.98	7.09	6.28	6.56
June	280.8	277.5*	772.5	773.8*	3032.8	3016.5*	7.09	7.46*	6.35	6.63*
July	282.3	279.1	778.9	778.1	3050.6	3032.4	7.10	7.43	6.39	6.58
August	283.6	280.6	785.0	782.6	3069.7	3049.5	7.05	7.37	6.35	6.54
September	285.0	282.4	791.2	787.3	3088.8	3068.8	7.11	7.48	6.40	6.69
October	286.8	284.3	793.7	791.8	3100.2	3086.3	7.20	7.56	6.56	6.83
November	288.2	286.0	794.3	795.7	3111.8	3103.5	7.43	7.93	6.75	7.02
December	289.6	287.3	795.1	798.7	3123.4	3119.0	7.45	8.08	6.79	7.16
January 1989	291.3	288.5	803.6	801.5	3142.6	3134.6	7.26	8.21	6.53	7.24
February	292.6	289.9	811.6	805.1	3159.7	3154.7	7.15	8.24	6.45	7.30
March	294.0	291.4	819.5	809.5	3176.3	3173.9	7.08	8.13	6.41	7.09
April	295.7	293.1	824.6	814.8	3191.5	3194.7	7.05	8.05	6.25	7.01
May	296.9	294.7	829.2	819.9	3209.7	3214.3	6.94	7.96	6.19	6.85
June	298.1	296.3	833.9	824.9	3227.8	3230.9	6.83	7.75	6.13	6.79

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	9.88	9.88	7.69	7.69	6.87	6.87	6.92	6.92	8.75	8.75
February	9.40	9.40	7.49	7.49	6.58	6.58	6.60	6.60	8.51	8.51
March	9.39	9.39	7.74	7.74	6.62	6.62	6.63	6.63	8.50	8.50
April	9.67	9.67	7.81	7.81	6.86	6.86	6.92	6.92	8.50	8.50
May	9.78	9.90	7.90	7.91	7.03	7.19	7.09	7.24	8.89	8.84
June	9.89	9.84*	7.95	7.69*	7.15	7.42*	7.22	7.43*	9.00	9.00*
July	10.05	9.72	8.09	7.58	7.22	7.36	7.29	7.41	9.00	9.00
August	10.08	9.83	8.11	7.68	7.16	7.31	7.23	7.37	9.00	9.00
September	10.12	10.13	8.16	7.95	7.20	7.45	7.28	7.52	9.00	9.00
October	10.20	10.29	8.23	8.11	7.27	7.62	7.35	7.69	9.00	9.00
November	10.26	10.54	8.30	8.38	7.50	7.88	7.62	7.95	9.36	9.43
December	10.32	10.66	8.36	8.53	7.43	8.03	7.51	8.14	9.50	9.76
January 1989	10.20	10.65	8.31	8.48	7.18	8.17	7.26	8.22	9.50	10.00
February	10.05	10.58	8.09	8.41	7.10	8.20	7.17	8.26	9.50	10.00
March	9.88	10.51	7.90	8.32	7.02	8.06	7.11	8.13	9.50	10.00
April	9.93	10.28	7.94	8.12	6.96	7.92	6.99	8.02	9.28	10.00
May	9.86	10.14	7.87	7.99	6.93	7.86	6.98	7.95	9.25	9.73
June	9.79	10.03	7.78	7.87	6.78	7.71	6.87	7.80	9.25	9.50

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